

Joint Services Contract  
Administration Services Executive  
Meeting

15 February 2000

Defense Contract Audit Agency

# Streamlining the Contract Closeout Process

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- **DCAA Contract Closeout Pilot Project Recommendation**--Initiative To Reduce Audit Hours. Reduces the Number of Contract Audit Closing Statements to One.
- **DoD Contract Closeout Working Integrated Process Team (CCWIPT) Study Recommendations**--ACO Relies on Cumulative Allowable Cost Worksheets Submitted by Contractor.

# Streamlining the Contract Closeout Process

## Single Contract Audit Closing Statement Process

- Prepare One Contract Audit Closing Statement For All Completed Contracts As Part of the Incurred Cost Audit
- Use Data From Cumulative Allowable Cost Worksheets To Prepare the Closing Statements
- Issue Contract Audit Closing Statement With the Incurred Cost Audit Report
- Significant Reduction in Direct Audit Hours (Less than 1/2 hour per contract compared to 2-4 hours)

# Streamlining the Contract Closeout Process

## DRID #32 (April 98)

### CCWIPT

## Recommendation (April 99)

- **Contract Closeout Working Integrated Process Team (CCWIPT) Report Recommendation-- Requirement for Final Voucher Audit Satisfied If:**
  - Adequate Billing System
  - ▢ Contractor Electronically Generates Data Necessary for DCAA to Complete the Cumulative Allowable Cost Worksheet (CACWS)
  - ▢ DCAA Copied on All Vouchers
    - If Deficiencies Disclosed During Billing System Review, Procedure Reverts Back to Audits of All Vouchers. Contractor Must Submit Improvement Plan.

# Strategic Plan

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**Goal 2** - Assure Customer Satisfaction by Providing Timely and Responsive Audits and Financial Services That Meet or Exceed Customer Requirements and Expectations.

**Objective** - By FY 2000, and 2001, Reduce Audit Hours Agency-wide for Contract Audit Closings by 20% and 25% Respectively of the FY 1998 Baseline.

# DCAA's Participation in ADR

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- Participated in the Development of the Government's Electronic Guide to Federal Procurement ADR
- Member of the Air Force ADR Advisory Team to Screen Cases Appropriate for ADR.

# The Role of the Auditor in ADR

“Often in the ADR process, audit input on financial matters is critical to establish facts needed to justify a settlement. Many contract controversies stem from audit exceptions. These issues are often complex and require in-depth knowledge of accounting and related regulations. To fully understand the financial consequences of decisions, government procurement professionals will want to include auditors as part of the ADR team in appropriate cases.”

Source: Electronic Guide to Federal Procurement ADR, Section III D.

# DCAA GUIDANCE ON ADR

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- Issued Guidance on Auditor Participation in ADR Processes, 5 January 2000, MRD 00-PFC-003 ([www.dcaa.mil](http://www.dcaa.mil))
  - ➔ Auditor's Role is One of an Advisor to the Contracting Officer in ADR Processes.
  - ▮ Auditors Can Learn About ADR by Accessing the Electronic Guide to Federal Procurement ADR on the Internet.

# DCAA's Support of ADR Initiatives

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- Air Force Issued a “Data Call” on Identifying Issues in Controversy That are Over 1 Year Old or Valued at \$10 Million or More. The Data Call Included a Question as to Whether the Submission was Suitable for DCAA Audit.
- DCAA Provided Assistance as Requested on the Suitability of Contractor Submissions for Audit.

# Summary of Legislation

- Threshold for Full CAS Coverage
- “Trigger” Contract
- Waiver Authority - Heads of Agencies
- Study of the Types of Coverage
- Exemptions:
  - Competitively Awarded FFP Contracts
  - FFPB Contracts
  - With No Cost or Pricing Data

# Threshold - Full CAS Coverage

- Increase From \$25 Million to \$50 Million
- Disclosure Statements - Increased to \$50 Million
- Trigger Contract Increased From \$1 Million to \$7.5 Million
- Impact:
  - 33% Fewer Segments Subject to Full Coverage
  - 5% Fewer Dollars Subject to Full Coverage

# Modified Coverage

- Contracts Exempt From CAS Until a \$7.5 Million
- CAS-covered Contract is Awarded
- CAS-covered Contract Awards < \$50 Million in Previous Year
- Impact:
  - 82% Fewer Segments Subject to Modified Coverage
  - 59% Fewer Dollars Subject to Modified Coverage

# Waiver Authority

- Delegated to Heads of Executive Agencies
- Under \$15 Million -
  - Commercial Companies if the Company Primarily Sells Commercial Items and Would Not Otherwise Be Subject to CAS
- Over \$15 Million -
  - “Exceptional Circumstances” - Necessary to Meet the Needs of the Agency (e.g., Agency Would Not Be Able to Obtain Needed

# Study of Types of Coverage

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- Performed by Administrator of OFPP  
(Chairperson  
of CAS Board)
- Review the Three Types of CAS Coverage
  - FAR,  
Modified, and Full

# Exemptions

- FFP Contracts Awarded Based on **Adequate Price Competition** Without Cost or Pricing Data
  - Replaces Current 9903.201-1(b)(15) Exemption (FFP Contracts Awarded Without Any Cost Data)
- FEHBV Contract (FY 2000)

# Status

- CAS Board is Preparing Revised Language
  - Will be Published in the *Federal Register* as an Interim Rule, effective 1 April 2000
- Study - OFPP Administrator is Preparing a Response to Congress.

# Implementation

- Legislation Includes “Phase In” Language
- Assumes New Criteria Have Been in Effect
- If a Contractor is not Performing a \$7.5 Million CAS-covered Contract, New Awards are Exempt From CAS Until the Contractor Receives a New